

Ref. A083/3272

PRIME MINISTER

OD(K): Hong Kong

BACKGROUND

The meeting has been called to consider the outcome of the round of negotiations with the Chinese which took place in Peking on 14 and 15 November. This is reported in Peking telegrams nos. 1187 and 1188 (first day) and 1194 and 1196 (second day). Sir Percy Cradock's advice on future tactics is in Peking telegram no. 1199. He recommends that he should make it clear to the Chinese before the next round that we shall make no proposals on a British link or role which conflicts with the transfer of both sovereignty and the right of administration to China. The Governor has explained by telephone that, while he is in broad agreement with the Ambassador, he will need to hear the initial reaction of EXCO to the latest round of talks before offering advice. The Foreign and Commonwealth Secretary will be circulating a minute tomorrow morning (17 November) giving his views. A note on the working papers to be handed to the Chinese is being circulated as OD(K)(83) 3. The next round of talks will take place on 7 and 8 December.

2. The communique described the latest round of talks as "useful and constructive", but Sir Percy Cradock's judgment is that they were "negative" and "bleak" and reflect a hardening of the Chinese position, possibly as a result of Deng's personal intervention. The Chinese emphasised the distinction they drew between matters relating to future arrangements for Hong Kong on which they were prepared to listen to our ideas but which were by definition their own internal policy, and other areas affecting British interests in Hong Kong, future British relations with the Special Autonomous Region and Sino-British efforts to maintain the prosperity of Hong Kong, where they would be prepared to negotiate seriously.

3. As background to the Sub-Committee's discussion is the difference of view on tactics between the Governor of Hong Kong and the Ambassador in Peking (see Hong Kong telegram no. 1707, Peking telegram no. 1176, and the summary in Mr Luce's telegram no. 460 to the Foreign and Commonwealth Secretary (copies attached)).

4. The Chancellor of the Exchequer is unable to be present as the Yugoslav President will be calling on him at the time. Sir Antony Acland has been invited to attend.

HANDLING

5. You will wish to invite the Foreign and Commonwealth Secretary to open the discussion. The Sub-Committee will wish to take stock of the position now reached in the negotiations and the prospects for the next round. Having taken the large step of seeing, without commitment, what practical measures could be devised on the basis of the Chinese proposals on sovereignty and the right of administration, it would seem premature to adopt any different approach at the next round from the present tactic of trying to draw the Chinese to elaborate on the practical arrangements they have in mind for Hong Kong as a SAR and to convince them that detailed arrangements will have to be agreed in advance if confidence within Hong Kong is to be maintained.

6. It would also seem sensible to await the reactions of EXCO before deciding whether to take the action recommended by Sir Percy Cradock before the next round. It will be necessary to have a clear policy on the conditions of employment of British personnel serving the Hong Kong Government after 1997.

7. The Sub-Committee will also have the opportunity to raise any points on the informal working papers being prepared for handing to the Chinese. It is proposed that Ministerial decisions on the underlying policy issues which will arise during their preparation should be obtained by the Foreign and Commonwealth Secretary with the relevant Departmental Ministers.



CONCLUSIONS

8. Subject to the points made in discussion, you could guide the Sub-Committee to:

- (1) Take note of the position reached in the negotiations.
- (2) Agree that the Governor's views should be awaited before deciding on future tactics with the Chinese.
- (3) Agree that the preparation of the informal working papers for handing to the Chinese should be handled as proposed in paragraph 4 of the Secretaries' note (OD(K)(83) 3).

16 November 1983

approved by ROBERT ARMSTRONG

and signed in his absence

Lindsay Wilkinson